

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
Bulletin 2003-4
Issued this 30th day of October, 2003

TO: ALL COMPANIES WRITING CROP HAIL INSURANCE IN MINNESOTA

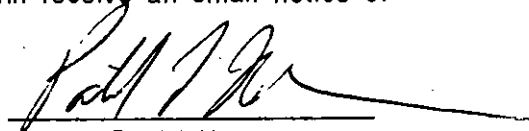
Each year the department issues a bulletin to address issues of concern for crop hail carriers and to remind them of the rate filing process. This year we have established the following guidelines to make filing easier and more efficient. Accordingly this Bulletin supersedes Bulletin 2002-8.

1. Filings for the 2004 crop season shall be made electronically (see item 8) and must be in our office prior to February 1, 2004. Send electronic filings to Tom.Baker@state.mn.us. The CROP HAIL INSURANCE RATE FILING FORM AND THE FILING CERTIFICATION FORM (both attached) must be used to make your filing. Please note companies are no longer to use the special format required last year to file their rates. Questions about this bulletin may be addressed to Tom Baker, Manager, Property and Casualty Division at Tom.Baker@state.mn.us or 651-297-2853.
2. Companies must use the 2004 NCIS final average loss costs with catastrophe by township (FALC with catastrophe) or loss costs developed by using meaningful statistics from a large database for a minimum of 20 years. Your rates should not be limited, neither capped nor cupped, based on a prior year's rates. Companies may deviate from the NCIS FALC by a maximum of 10% up or down. Any deviation greater than 10% requires actuarial justification based on credible experience.

If you do not use the NCIS crop and policy form factors, then you must document this in your filing and include a complete list of crop and policy form factors used by your company. You must also include support for the factors that you use.

3. Deviations in low liability townships and/or counties:
 - (a) If the liability in a township is less than \$50,000, i.e., a low liability township, then you may judgmentally modify the FALC with catastrophe for that township to be consistent with the rates of adjacent townships. Your filing must identify all townships where you do this. You must explain why the NCIS rate is inappropriate and why your proposed rate is better.
 - (b) In the 2004 NCIS filing, corn is factored off of wheat in com low liability counties where the wheat is not low liability and wheat is factored off of com in wheat low liability counties where the com is not low liability. The county low liability threshold is \$1,250,000. At your option you may extend this NCIS low liability procedure for wheat FALC to counties where wheat liability is up to \$10,000,000 provided that com liability exceeds \$10,000,000. (See Exhibit B, pages 10 and 11, of the 2004 NCIS Filing for a list of wheat and com liabilities by county.) For example, the wheat liability for Blue Earth County is 5,683,775 and the com liability is 433,872,260. The NCIS calculates the wheat FALC in Blue Earth County using the wheat experience alone. You may use the wheat FALC provided by the NCIS for Blue Earth County if you wish, or, if you prefer, you may set the wheat FALC equal to 1.53 times the corn FALC in that county. Your filing must identify all counties where you choose this option to deviate from the NCIS FALC. In counties where the wheat liability exceeds 10,000,000, you must use the NCIS wheat FALC.

4. Minimum and Maximum FALCs: You may use minimum and maximum FALC by crop class on either a statewide or county basis. Your filing must specify and justify each minimum and maximum, and they should be balanced and reasonable. By balanced, we mean that the expected effect is revenue neutral.
5. FALC Multiplier: You must document the calculation of the company's FALC multiplier.
 - (a) You must include a three-year expense statement itemizing Production Expenses; Taxes, Licenses and Fees; General Expenses; Loss Adjusting Expenses; and Other Expenses.
 - (b) You may separate fixed from variable expenses and you may use an expense constant, but if you do so you must provide an analysis that identifies the different categories of expenses and demonstrates that the aggregate premium will be unchanged by the separation.
 - (c) If you vary the multipliers by FALC, then you are implicitly separating fixed from variable expenses, and you must provide an analysis to justify the different multipliers.
6. Discounts:
 - (a) Cash discounts may not exceed 3% unless a higher discount can be justified. The cash must be paid by July 1 of the crop season to qualify for a 3% discount. Cash paid by August 1 can qualify a policy for a 2.5% discount. For a policy written after July 1 with a 3% discount, the cash must accompany the application to the processing office to qualify for the discount.
 - (b) Large volume discounts will be allowed on a graduated scale, but only to an extent justified by specific expense savings. The savings must be identified in the filing. Your filing must also specify the eligibility criteria for the large volume discount. The discount must be applied to any account that is eligible (Minn. Stat. §70A.04, subd. 4 (2002)).
 - (c) Claim-free discounts for crop hail coverage cannot be actuarially justified, so these discounts will not be allowed.
 - (d) A discount will not be allowed on crop hail premiums if a Multiple Peril Crop Insurance (MPCI) policy is involved, unless convincing actuarial support is supplied.
 - (e) Any other discounts must be actuarially justified and submitted over the signature of a member of the Casualty Actuarial Society.
7. Do not file Multiple Peril Crop Insurance (MPCI) rates or forms, either as a formal filing or a courtesy filing. MPCI is a federally-regulated product which is not filed with the state.
8. When making your electronic filing please send a duplicate hard copy of the transmittal form with a \$75.00 filing fee to our accounting area. The department will match the hard copy with the electronic filing once we have received both of them. You will receive an email notice of acceptance of your filing.



Patrick Nelson
Deputy Commissioner
Market Assurance Division

Crop Hail Insurance Rate Filing Form

Name of Company

Effective Date of Filing: _____

Overall Effect of Rate Change: _____

- L ☐ We have used the NCIS FALC with NO deviations.
☐ We have used the NCIS crop and policy form factors.
2. Deviations - check all that apply:
- ☐ We have deviated from the FALC a uniform _____%. (If this percentage is greater than 10%, then the deviation must be actuarially supported.)
 - ☐ We have deviated in selected low liability townships. A list of these townships and our justification for these deviations is attached.
 - ☐ We have deviated in selected counties where the wheat liability is low and have set the wheat FALC equal to 1.53 times the corn FALC. A list of counties is attached.
 - ☐ We have used maximum and minimum FALC. A list specifying where we used these FALC and an exhibit showing that the effect is revenue neutral is attached.
 - ☐ We have used other crop and policy form factors. (Attach a complete explanation of the factors and methodology).
 - ☐ Other (Attach a complete explanation of the rates and methodology).
3. ☐ We have used a multiplier of _____ for all FALC. A three-year expense statement is attached.
- ☐ We have used a multiplier of _____ and an expense constant of _____. A three-year expense statement and an analysis identifying the fixed and variable expenses are attached.
- ☐ We have used different multipliers for different FALC. A description of the multipliers and the ranges is attached. An analysis identifying and justifying the expenses that vary by FALC is attached.
- ☐ Other (Attach a complete explanation & analysis).
4. ☐ We are filing a cash discount of _____%.
- ☐ We are filing a large volume discount. An exhibit identifying the savings is attached. The eligibility criteria are attached.
- ☐ Other (Attach a complete explanation & analysis).

State of Minnesota

FILING CERTIFICATION FORM

(Must be submitted with filing)

Date: _____

Company GROUP Name: _____

Company GROUP NAIC Number: _____

Filing ID number: _____

I certify that this filing complies with the requirements of Minnesota Statutes and Rules applicable to this product and the 2003 Crop Hail Bulletin.

Filing Analyst Name: _____

Filing Analyst Signature: _____

Responsible Officer's Name: _____

Responsible Officer's Title: _____